

EXHIBIT 1

Report of
Investigation

Henry M. Greenberg
Fiscal Monitor for
The New York State
Education
Department

EAST RAMAPO:
A SCHOOL DISTRICT
IN CRISIS

NOVEMBER 17, 2014

INTRODUCTION

- On June 10, 2014, Commissioner John B. King, Jr. appoints a Fiscal Monitor.

■ Broad charge is given.

■ Review District's fiscal practices, conduct and history.

■ Recommend ways State can ensure District:

- Provides an appropriate education program; and
- Properly manages and accounts for State and Federal funds received.



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK
Commissioner of Education
President of the University of the State of New York
85 Washington Avenue, Room 111
Albany, New York 12234
E-mail: commissioner@mail.nysed.gov
Twitter: https://twitter.com/NYS_Ed
Tel: (518) 473-3547/SD
Fax: (518) 473-4589

June 10, 2014

Dr. Joel M. Klein
Superintendent of Schools
East Ramapo Central School District
105 South Madison Avenue
Spring Valley, NY 10587

Dear Dr. Klein:

As you are aware, representatives of the State Education Department (Department) and the East Ramapo Central School District ("District") have met several times during the past year in an attempt to address the serious fiscal issues facing the District. For example, the District's current state of fiscal distress led to the enactment of Chapter 515 of the Laws of 2013 to provide the District with a substantial lottery advance in the amount of \$3.5 million. Although the District's 2014-2015 school year budget was recently approved by the voters, the Department remains concerned about the District's history of and continued signs of fiscal distress, particularly in light of the lottery advance and the fact that the District currently receives approximately \$20 million in federal funding.

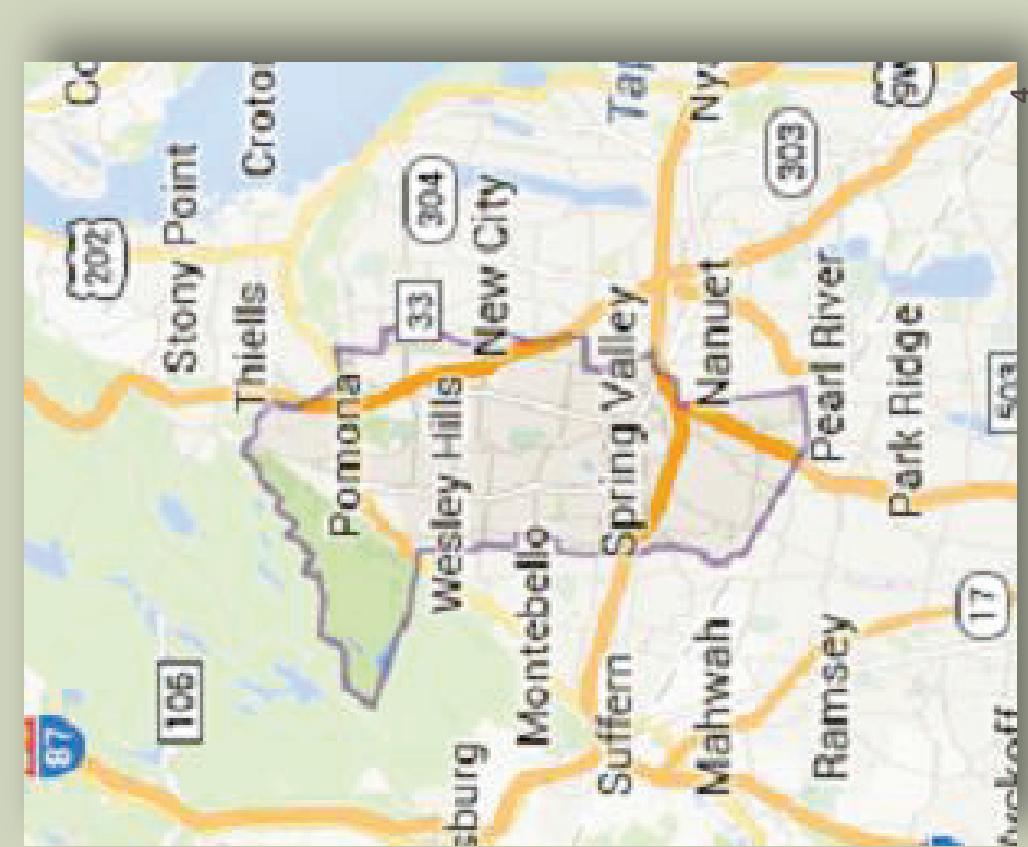
As a result, it has become necessary for the Department to appoint a Fiscal Monitor to serve the District in an advisory capacity in order to ensure that the District is able to provide an appropriate educational program and properly manage and account for state and federal funds received. The Commissioner of Education has the responsibility of supervising all schools and institutions which are subject to the provisions of the Education Law or any statute relating to education, and is required to inter alia, "advise and guide the school officers of all districts and cities of the state in relation to their duties and the general management of the schools under their control" (Education Law §305[2]). Under Education Law §306, the Commissioner also has the power and duty to institute proceedings or processes necessary to properly enforce and give effect to any provision in the Education Law or any statute relating to the school system of the State or to any school district and to enforce any rule or direction of the Board of Regents (Regents). Pursuant to Education Law §215, the Regents, the Commissioner, or their representatives, may visit, examine into and inspect "any institution in the University of the State of New York ("USNY") and any school or institution under the educational supervision of the State, and may require, as often as desired, duly verified reports providing such information and in such form, as the Regents or the Commissioner shall prescribe. In addition, under the federal Education Department General Administrative Regulations ("EDGAR"), the Department must monitor the federal grants it administers and ensure that such grant funds are used in accordance with the terms of the grant program and all applicable laws and regulations (see e.g., 34 CFR Parts 76 and 80).

BACKGROUND OF INVESTIGATION

- Met with current and former District officials, teachers, students, PTA leaders, community stakeholders, clergy and many others.
- Reviewed District records and responses to questions, State Education Department (“SED”) guidance materials and memoranda, relevant statutes and regulations, and other documents.
- Toured public and private schools, observed classes, and spoke with principals.
- Consulted local, state and federal officials.

DESCRIPTION OF DISTRICT

- Located in residential suburban area in Rockland County.
- Covers approximately 35 square miles.
- Encompasses Spring Valley, Monsey, Wesley Hills, New Hempstead, Chestnut Ridge, Suffern, Nanuet, New City & Pearl River.
- “High need, low resource” district.



A DIVERSE COMMUNITY

- Spring Valley – home to Ramapo and Spring Valley High Schools
 - is the mailing address for over 100 nationalities.
- 66.4% of its residents speak a language other than English at home.
- District embraces several Hasidic villages and hamlets in Rockland County.



A UNIQUE PUBLIC/PRIVATE SCHOOL DEMOGRAPHIC

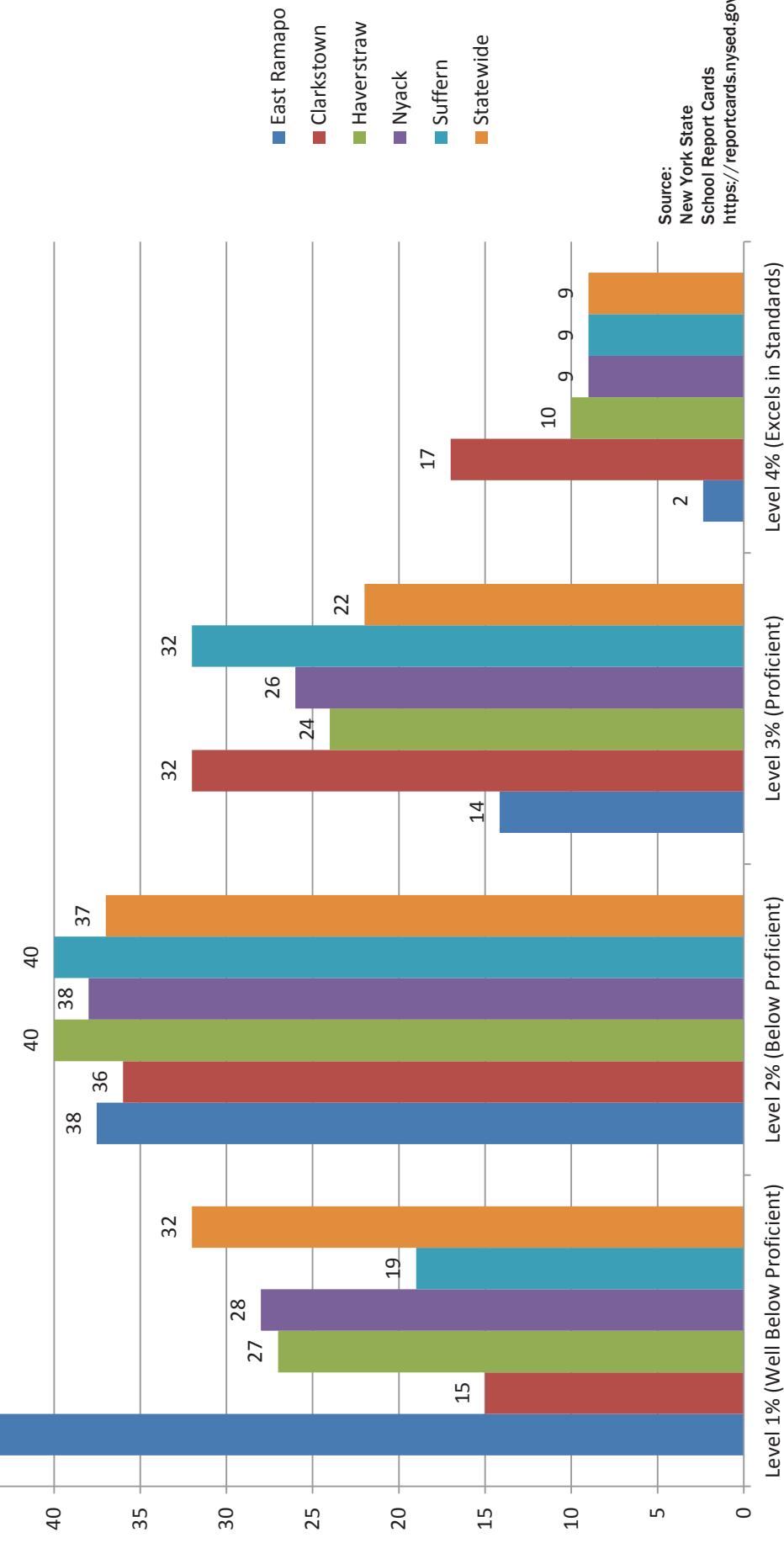
33,000 School Age Children

Public School Population

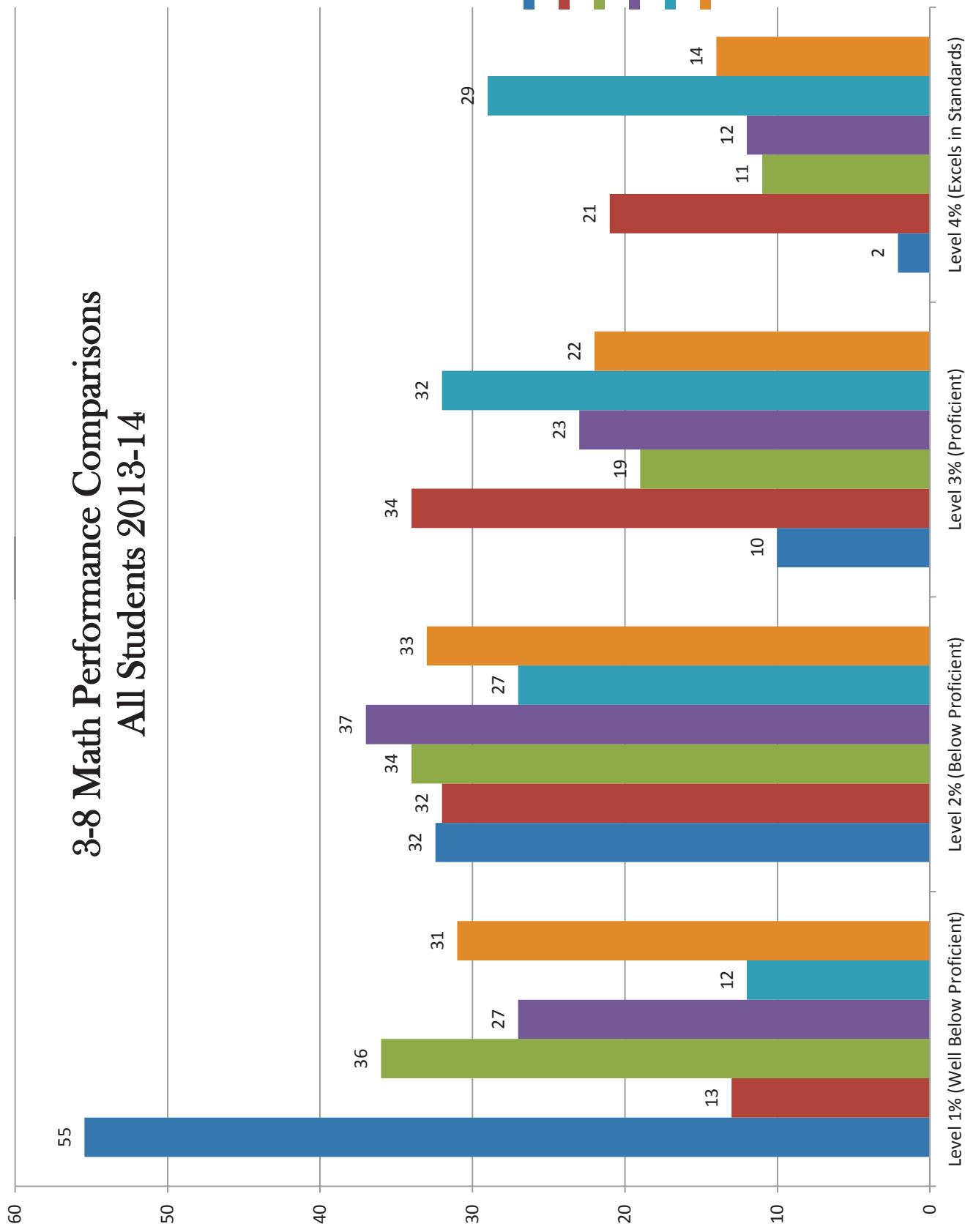
- 9,000 students attend public schools
 - 91% descend from African-American, Latino and Haitian backgrounds;
 - 78% qualify for free and reduced price lunches;
 - Growing numbers of English Language Learners (ELLs) and immigrant students.
- 24,000 students attend private schools
 - 23,778 in 52 Yeshivas; 8 other Yeshivas serve an unknown number of students;
 - Many have disabilities requiring special education services;
 - In 10 years there could be as many as 40,000 to 50,000 attending private school.

DISTRICT LAGS WELL BEHIND IN ACADEMIC PERFORMANCE

3-8 English Language Arts (“ELA”) Performance Comparisons
All Students 2013-14

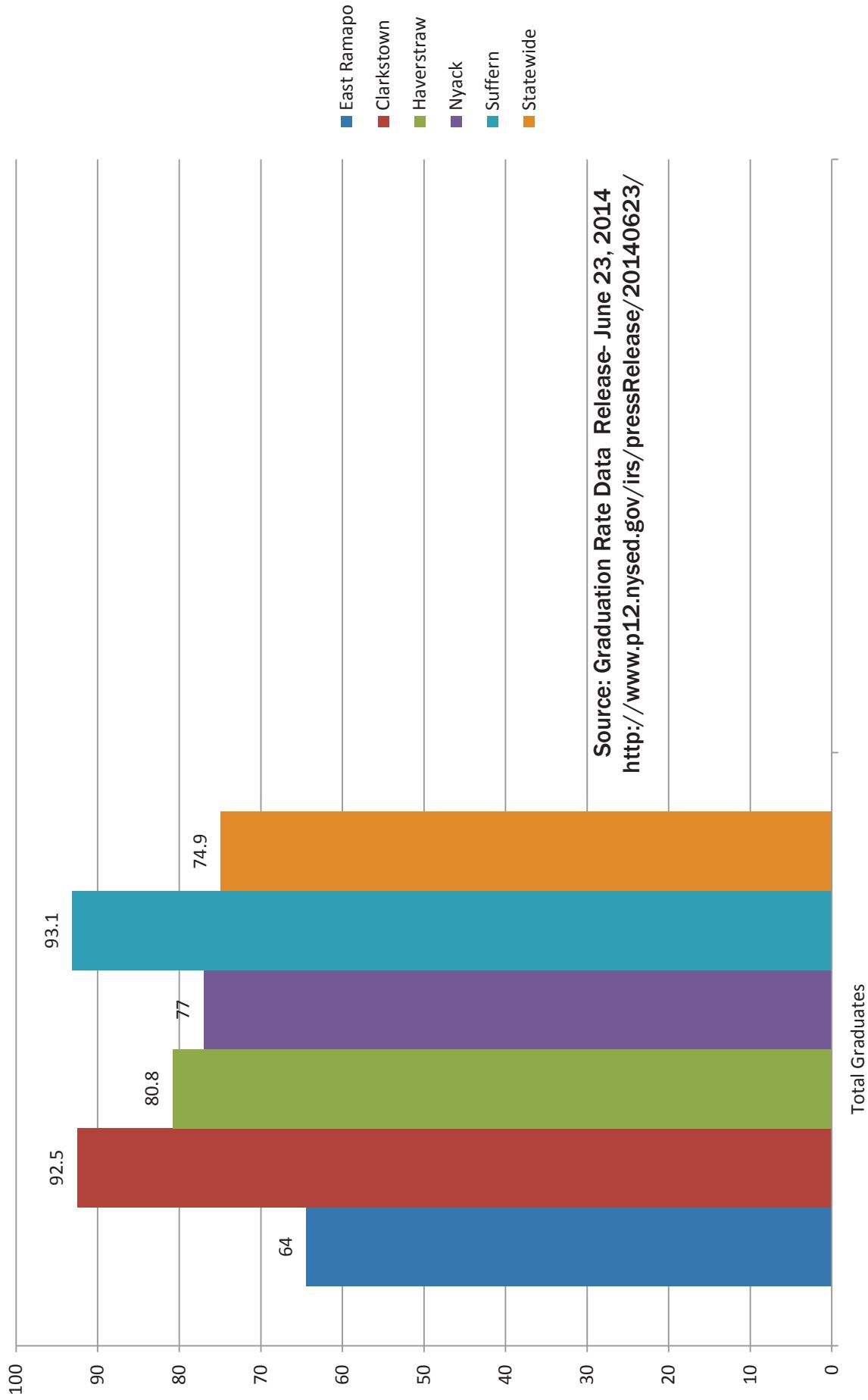


3-8 Math Performance Comparisons All Students 2013-14



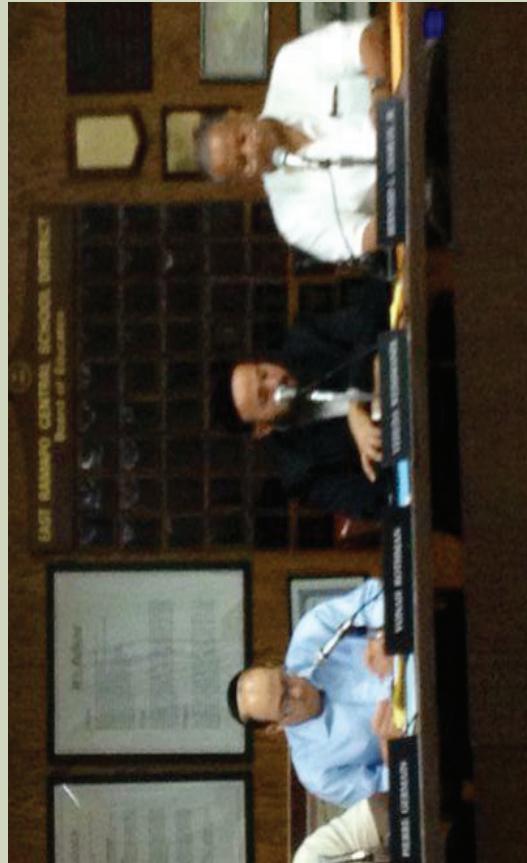
Source: New York State School Report Cards <https://reportcards.nysed.gov/>

Graduation Rate Comparisons All Students | 2009 Cohort | 4 Year Outcome (as of June 2013)



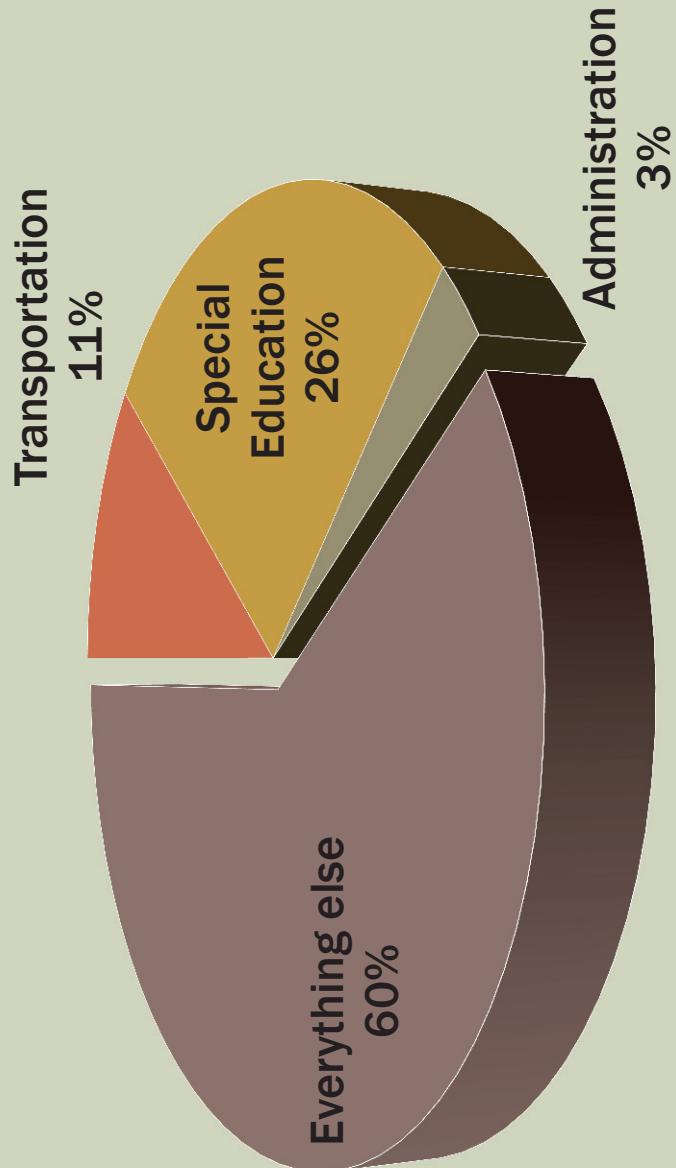
GOVERNANCE

- 9 members elected to the Board of Education by District voters for 3-year terms.
- Since 2005 Board majority comprised of members from private school community.
- 7 of 9 Board members today are representatives of the private school community.



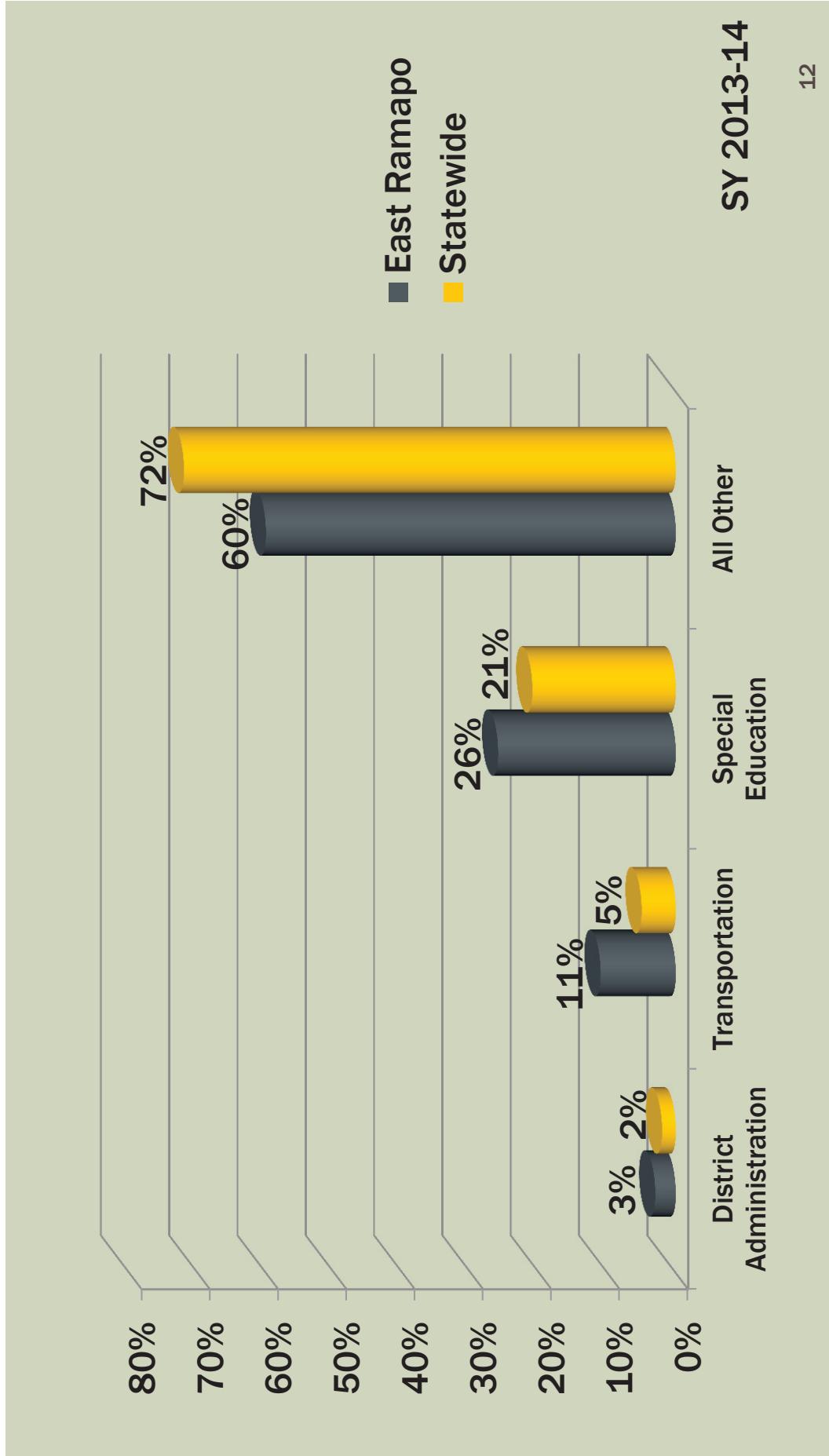
UNIQUE CONFIGURATION OF DISTRICT'S BUDGET

SY 2013 - 14



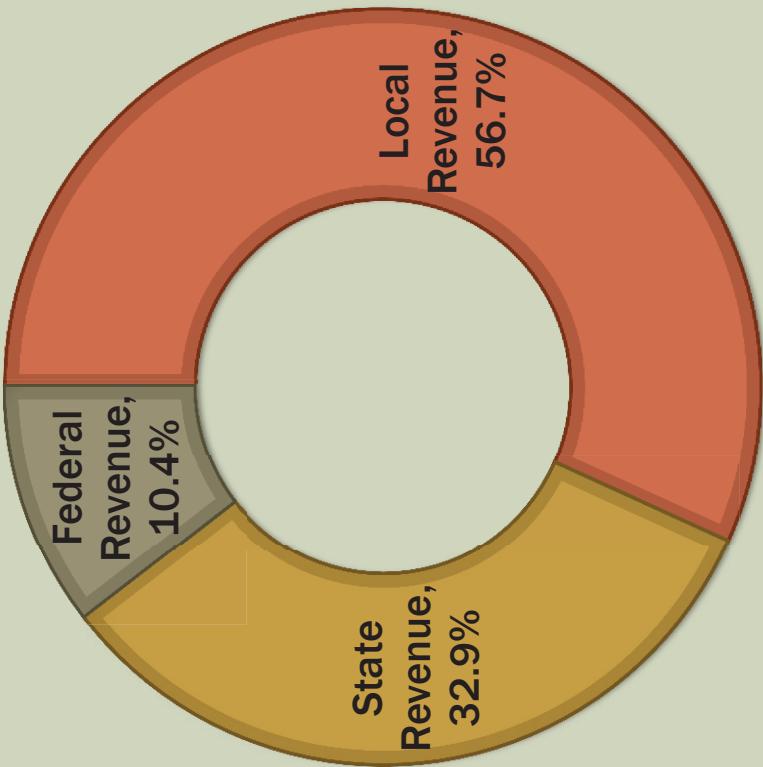
- 40% of budget consumed by transportation, special education and administrative costs, leaving 60% for everything else.

DISTRICT'S DISTRIBUTION OF EXPENDITURES COMPARED TO STATE AVERAGE



REVENUE SOURCES FOR DISTRICT

Revenue Sources for District's Budget



- District relies heavily on local revenue.
- Average district receives 40.4% of its revenue from the State, while the median is 48.2%.

SY 2013-14

TRANSPORTATION: BASIC FACTS

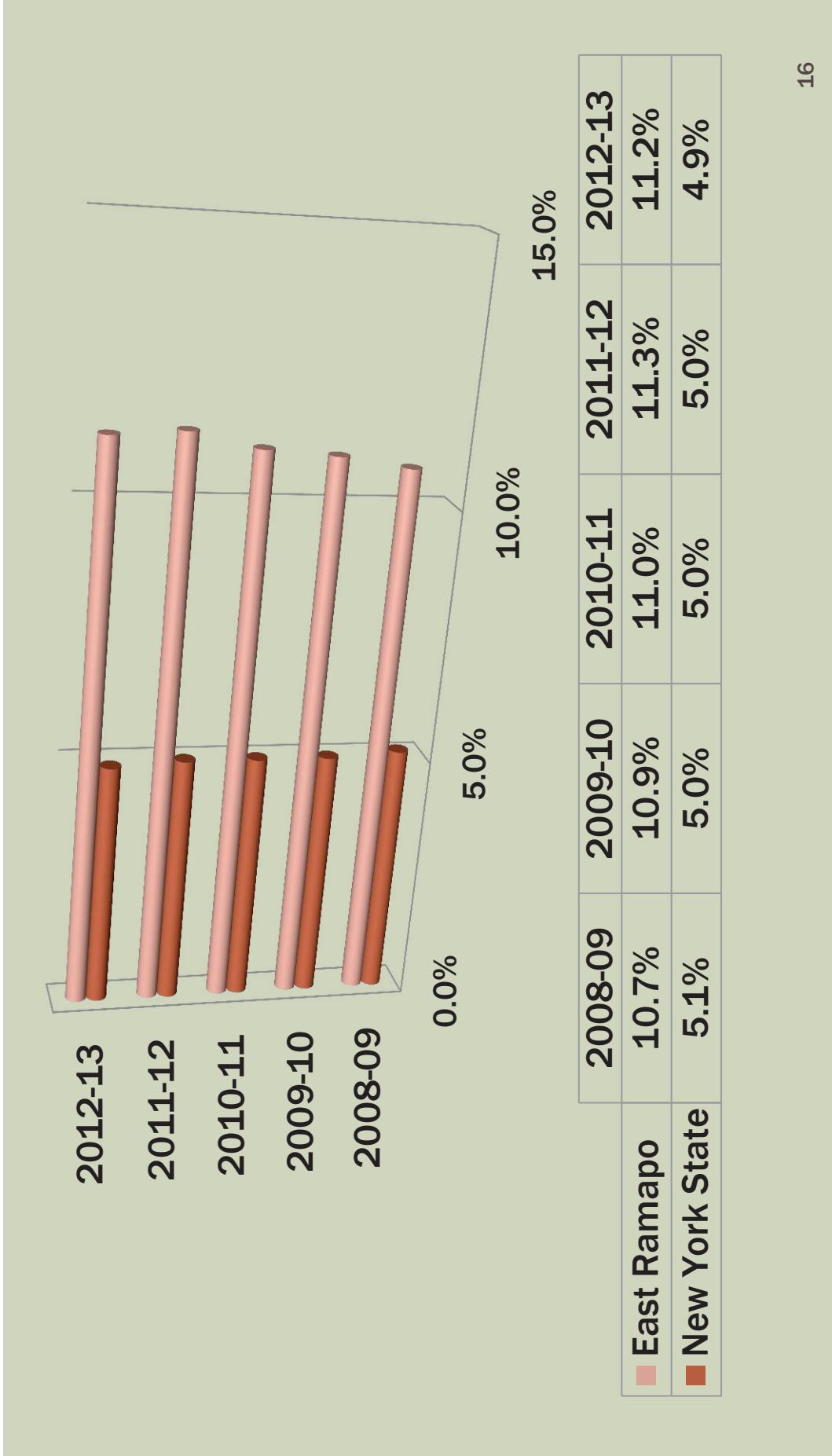
- Transport 9,000 students to public schools and more than 23,500 students to private schools.
- No mileage limitations on transportation for all K-12 students (“universal busing”).
- More than 300 active bus routes.
- More than 140 private school locations.
- Gender-segregated private school routes to Yeshivas.
- District’s aging bus fleet transports only 4,900 children; the balance are transported by contractors and private schools.

SOARING TRANSPORTATION COSTS

- 2006-07 to 2013-14 transportation costs increased by 48.1%.
- More than double the average statewide increase of 21.9%.
- Spending for private schools increased by 76.6%; statewide average increase was 24.1%.
- Population growth in private school community will result in additional transportation costs.



TRANSPORTATION AS A PERCENT OF TOTAL EXPENDITURES



SPECIAL EDUCATION: BASIC FACTS

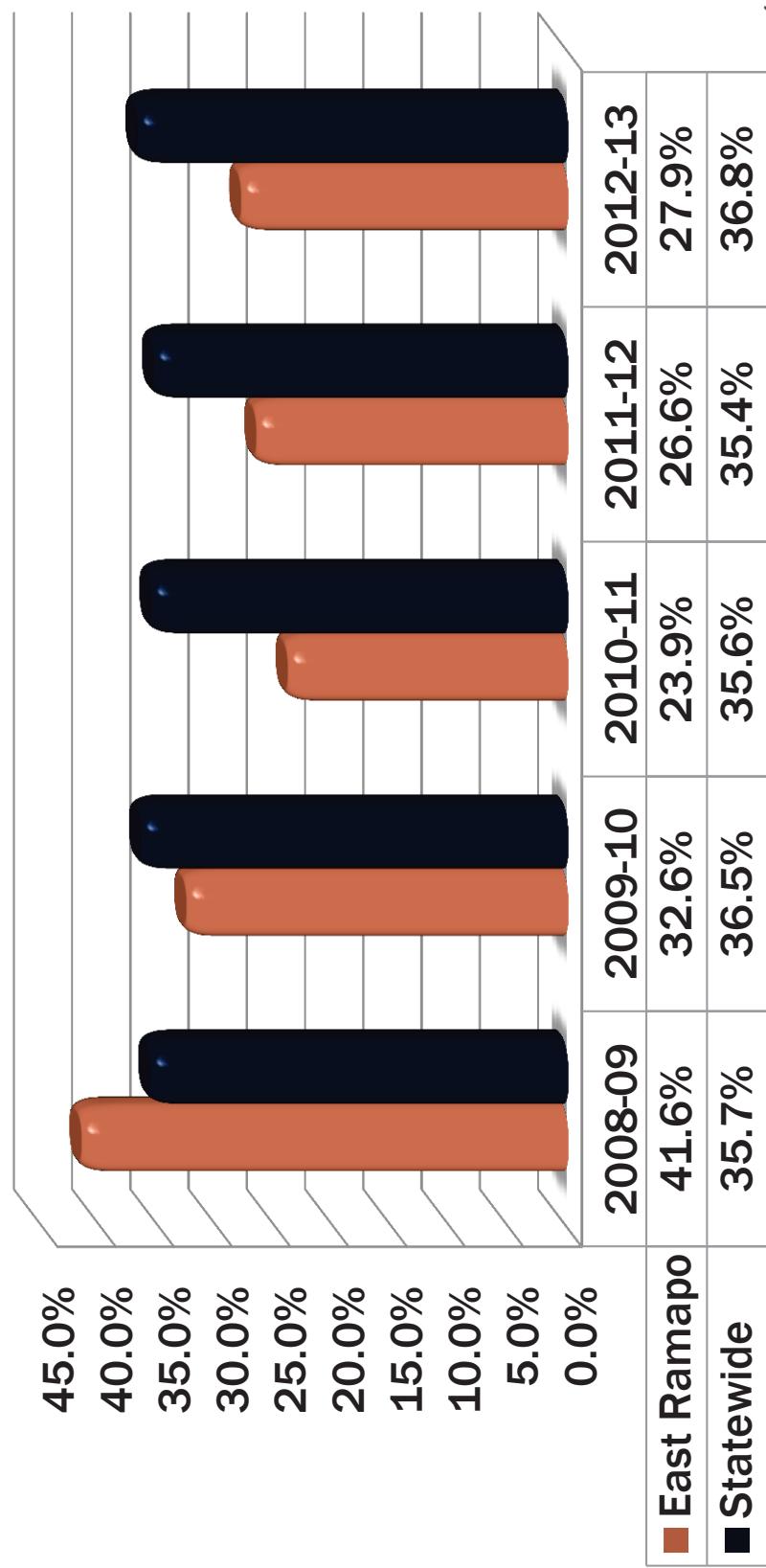
- Special education costs consume an enormous portion of District's budget.
- \$60 million for special education, serving 2,423 students.
- Private school students receive special education services in as many as 40 different yeshivas, private schools outside the District, and the Kiryas Joel Union Free School District.
- Based on enormous growth in private school population, special education costs will continue to grow.

ASPECTS OF DISTRICT'S SPECIAL EDUCATION PROGRAM ARE NONCOMPLIANT WITH STATE AND FEDERAL LAW

- District's special education program is a source of controversy, litigation and misunderstanding.
- District is under "enforcement action" by SED, which determined District engages in patterns and practices inconsistent with Individuals with Disabilities Education Act ("IDEA") and related laws.
- District was found to have made placements in private schools when appropriate placements were available in public facilities.
- As a consequence, SED has withheld reimbursement from the District for unlawful placements.

DISTRICT RECEIVES LESS STATE/FEDERAL REVENUE FOR SPECIAL EDUCATION THAN OTHER DISTRICTS

Combined State and Federal Revenue as a Percent of Special Education Instructional Expenditures



DISTRICT IN CRISIS MODE FOR YEARS



- 5 School Board Presidents in 3 years.
- Public protests and rallies commonplace.
- Board meetings degenerate into verbal brawls, with the Board's attorneys berating students and parents.
- Critical audits by State Comptroller.
- Criminal charges arising from the sale of a closed school.
- District's troubles chronicled in local, state and national media.

INSTABILITY IN BUDGET-MAKING PROCESS

- Proposed budgets defeated 4 of the last 5 years and 8 of the last 11.
- Highest rate of budget rejection in the State.
- Private school community resistant to approving significant tax increases.

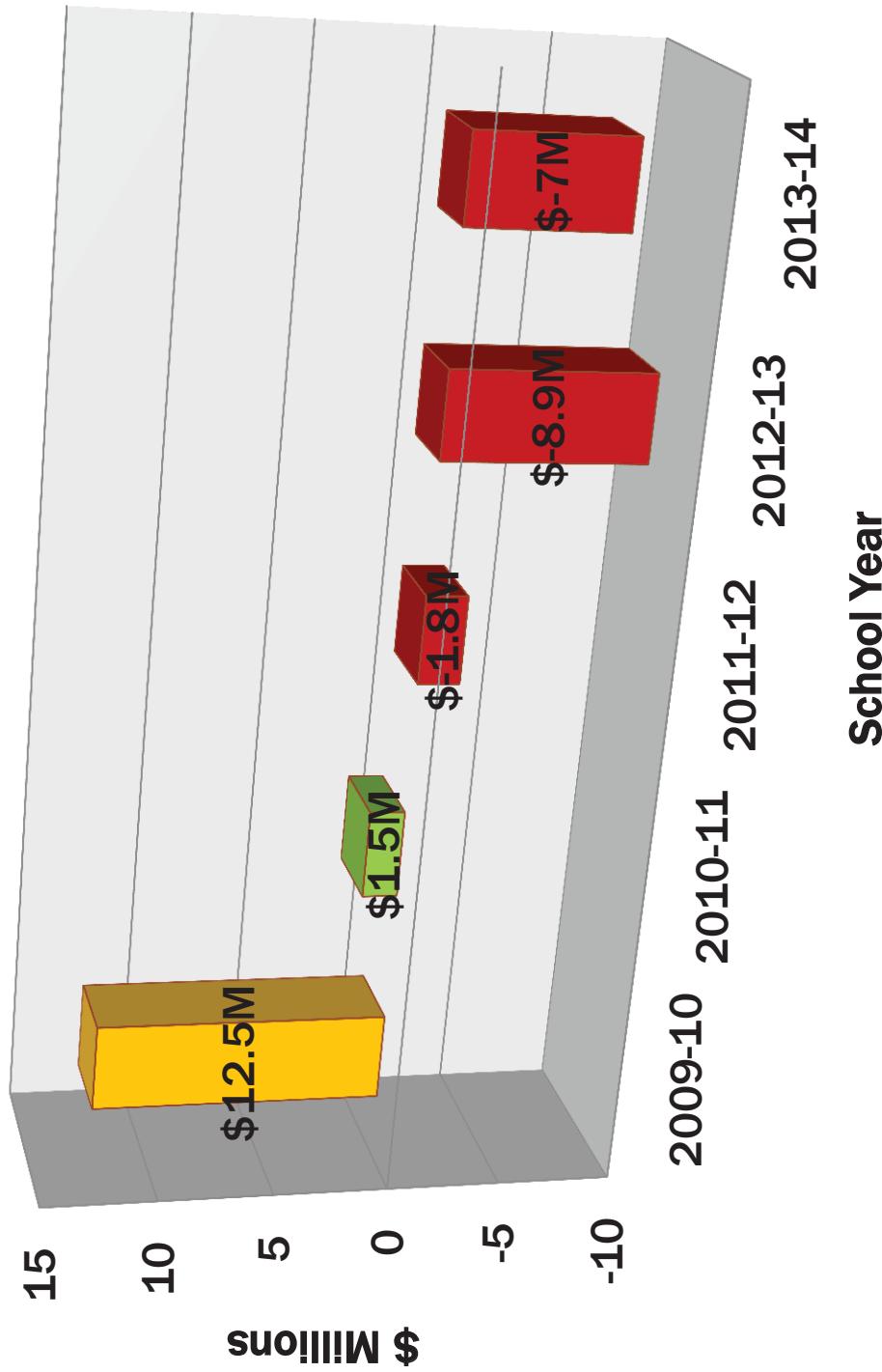
DISTRICT'S FISCAL AFFAIRS MISMANAGED FOR YEARS

- For 7 of the last 10 years District has operated at a deficit; on track to do so this year as well.
- Finances suffer from poor financial practices:
 - Unrealistic revenue projections;
 - Inaccurate budget estimates.
- Budget gaps routinely filled with “one shots.”
- In 2014, District rejected a badly-needed \$3.5 million advance on lottery funds from the State.
- No strategic, long-term plan or plans for the future.

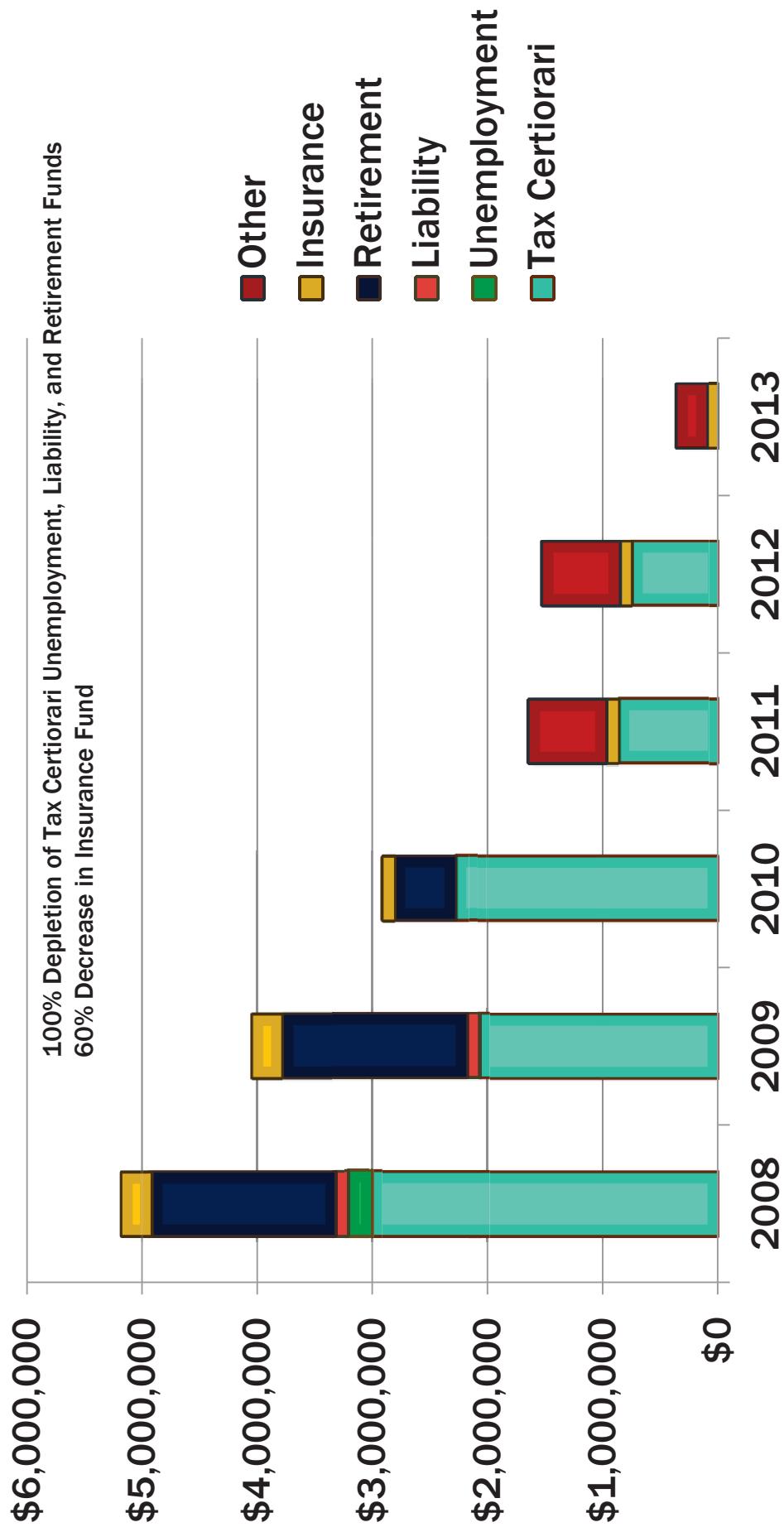
THE DISTRICT'S FINANCES TEETER ON THE EDGE OF DISASTER

- By any measure, District is fiscally impaired.
- Unreserved fund balance is a critical cushion to cover variances during the current and subsequent budget year.
- Allows District to cover:
 - Anticipated normal operating cash flow deficits;
 - Unexpected occurrences such as emergency repairs, costs and fluctuations in essential commodity costs and unanticipated shortfalls in estimated revenues.
- Without reserved funds, District's ability to manage its finances is at risk.

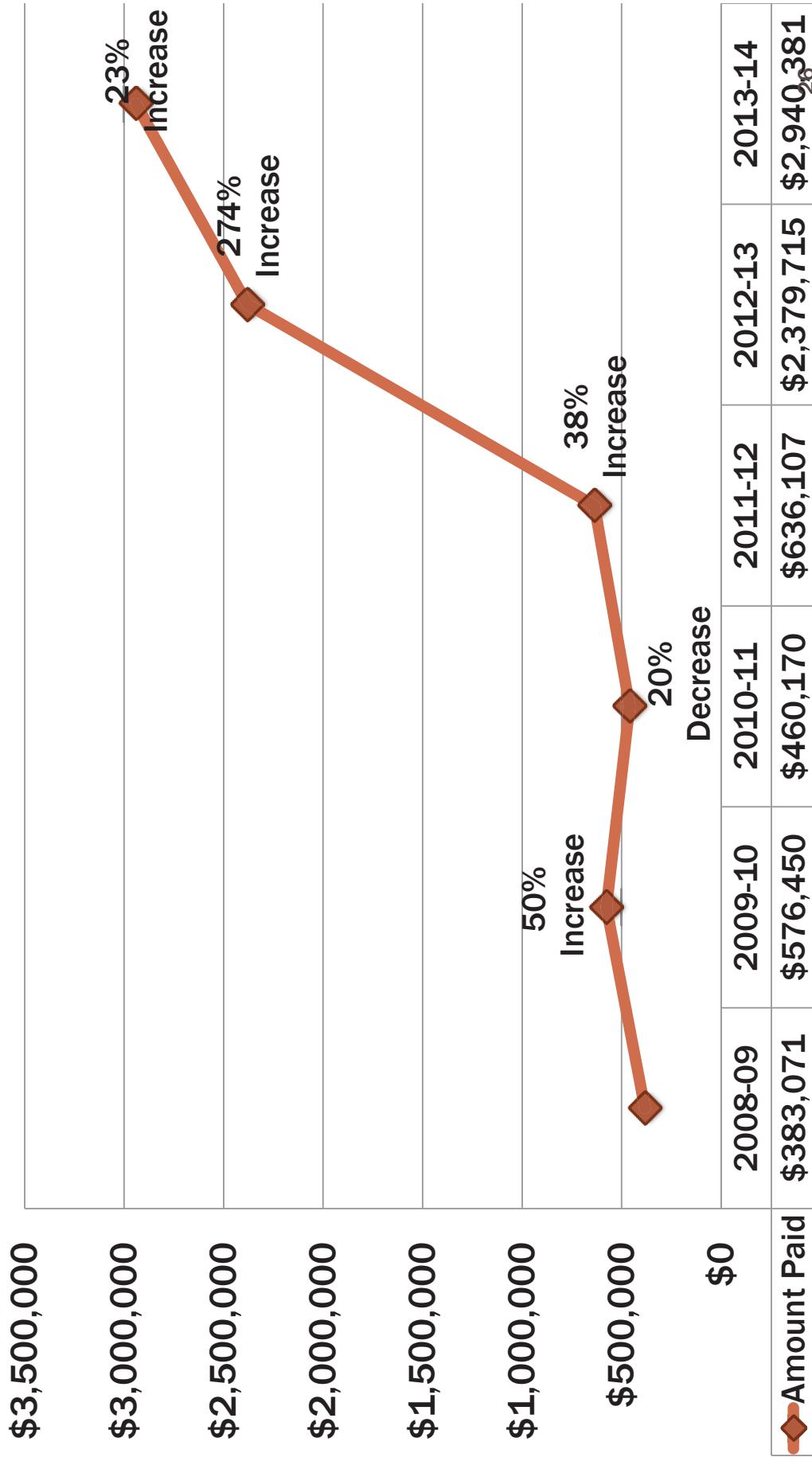
DISTRICT HAS DEPLETED ITS UNRESERVED FUNDS



RESTRICTED FUNDS DEPLETED AS WELL



EXCESSIVE SPENDING ON LEGAL FEES



WASTE OF PUBLIC DOLLARS

- In the face of fiscal crisis, from 2008-09 to 2013-14 District's legal fees rose over 668%.
- \$7.3 million paid to 13 law firms.
- District paid a single out-of-state law firm \$2,438,538 in 2013-14.

BOARD MISLED THE PUBLIC ABOUT ITS COUNSEL

- In 2009, Board hired a new law firm to serve as its primary counsel – a controversial decision at the time.
- Either with the Board’s approval or without objection, this firm’s attorneys have taken an aggressive and adversarial posture towards parents and students.
- In 2013, in the wake of a widely-publicized incident involving an attorney of the firm, Board announced it would replace the firm.
- Board indicated new counsel would be selected through a rigorous procurement process.
- This summer, however, Board reversed its decision and announced it would rehire the firm, sparking public furor and condemnation from elected officials.

BOARD FAVORITISM

- Most disturbing, Board appears to favor the interests of private schools over public schools.
- Evident in handling of budget crises.
- Beginning in 2009 Board made draconian spending cuts to public school programs and services in order to balance its budgets.

2009 – 2012 CUTS

■ Eliminated 400 positions:

- Teachers – 168.2 teaching positions (75 elementary and 93.2 secondary)
- Teaching Assistants – 49 positions
- 50% of Attendance Teachers
- All Social Workers
- Supervisors of Speech, OT and PT
- 3 Guidance Counselors
- All Deans
- All Department Chairpersons
- 2 Secondary Assistant Principals
- All Elementary Assistant Principals
- 3 Administrators in the District Office
- Civil Service – 88 positions (secretarial/clerical/Buildings and Grounds/Transportation)

■ Academic and programmatic cuts:

- Full Day Kindergarten reduced to one-half day
- Instrumental Music eliminated K-3
- Summer School eliminated K-12
- High School Elective (Business) eliminated
- All High School Electives reduced
- Athletics cut by 50%
- Transportation for Field Trips eliminated
- Extra-Curricular activities reduced by 50%
- Other Cuts:
 - Supplies and materials by 20%
 - Professional Development by 75%
 - Buildings and Grounds – Administrator
 - Transportation – Administrator

2012 – 2013 CUTS

- Eliminated positions:
 - Supervisor of Technology
 - Director of Secondary Education
 - Teacher Training for Technology
 - Buildings and Grounds positions
 - Title I Summer Program
- Reductions:
 - Coordinator of Health (from full to part-time)
 - Clerical staff
 - Substitute teachers
- Froze purchases on supplies, materials and equipment

2013 – 2014 CUTS

- Eliminated 45 positions:
 - 15 Special Education Teachers
 - 16 Secondary Teachers
 - 2 Custodians
 - 2 Maintenance Workers
 - 2 Security Guards
 - 1 Bus Mechanic
 - 5 One-on-One Aides
 - 2 Nurses
- Eliminated Languages Other than English in the 7th Grade
- Cuts for Sports and Clubs and Central Administration

AT SAME TIME, MULTI-MILLION DOLLAR SPENDING INCREASES BENEFITED PRIVATE SCHOOLS

- As public school budgets were slashed, spending on programs benefitting private schools increased.
- Transportation spending grew every year from \$22 million in 2009-10 to \$27.3 million in 2013-14.
- Even the District concedes special education tuition costs increased by 33% from 2010-11 to 2013-14.
- No meaningful effort made to distribute pain of deep budget cuts fairly among private and public schools.

THE BOARD'S LACK OF TRANSPARENCY

- Problem compounded by the Board's failure to conduct meetings in an open and transparent way.
- New York's Open Meetings Law is intended to open the decision-making process of elected officials to the public.
- Open Meetings Law applies to school board meetings where school district business should be open to the public. Public may only be excluded from properly convened executive sessions of the board.
- Openness is supposed to be the rule, not the exception.

BOARD LACKS TRANSPARENCY



- In East Ramapo, however, Board routinely spends 60% to 70% of meetings (sometimes more) in executive session.
- Board also limits opportunity for public participation at Board meetings, by not allowing the public to speak until the end of meetings (e.g., after 10:00 or 11:00 p.m.).

DISTRICT LEADERS RESPOND POORLY TO CRITICISM

- District officials frequently resort to name-calling, attacking others' motives and integrity, when responding to criticism.
- Critics branded as anti-Semitic, “political opponents,” “deeply disaffected activists” and worse.
- Just since Fiscal Monitor’s appointment in June 2014, District officials have:
 - Accused Commissioner King of acceding “to the demands of bigots”;
 - Attacked leaders of the NAACP as “disturbingly disingenuous” and “feign[ing] ignorance.”
 - Dismissed parties who challenge District decisions as “politically motivated.”
 - Referred to immigrant students by saying “they want a free lunch, breakfast, and whatever else they can get.”
- Such rhetoric exacerbates tension and deepens the divide between public and private school communities.

PUBLIC SCHOOL COMMUNITY HAS LOST FAITH IN THE BOARD

- It will take years for the District's public schools to recover from the budget cuts of the last few years which are estimated at \$30 to \$40 million.
- In the meanwhile, students and parents have lost faith in the Board and feel that the Board does not understand their needs.
- Widespread perception that Board has turned the budget process into a zero sum game in which private schools always win at the expense of public schools.

RECOMMENDATIONS

THE DISTRICT'S PROBLEMS ARE EXTRAORDINARILY COMPLEX



MULTI-DIMENSIONAL PROBLEM REQUIREMENTS

MULTI-DIMENSIONAL SOLUTION

- No “easy fix.”
- Numerous approaches must be taken to find a sustainable pathway for progress.

RECOMMENDATION 1:

REFORM DISTRICT'S GOVERNANCE STRUCTURE TO PROVIDE NECESSARY CHECK AND BALANCE TO THE BOARD AND SUPERINTENDENT THAT PROTECTS PUBLIC SCHOOL STUDENTS

THE DISTRICT'S GOVERNANCE PROBLEM

- At the heart of the District's crisis is a governance problem stemming from:
 - Unique demographic mix between public and private school students and
 - Board composition that reflects and magnifies this demographic.
- Statutory and regulatory scheme for public school governance assumes board members understand vital role of public schools.
- East Ramapo turns existing statutory and regulatory structure on its head.
- Board is comprised primarily of persons from the private school community, with limited understanding of public school students and their families.
- As a result, public school needs have been given short shrift, especially in times of fiscal crisis.

PUBLIC EDUCATION IS A VITAL FUNCTION OF LOCAL GOVERNMENT

“Today, education is perhaps the most important function of state and local governments. . . . It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him [or her] for later professional training, and in helping him [or her] to adjust normally to his [or her] environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he [or she] is denied the opportunity of an education.”

Brown v. Board of Education of Topeka (1954)

PUBLIC EDUCATION IS A CONSTITUTIONAL RIGHT

“The legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of this state may be educated.”

N.Y. State Const., Article XI, § 1

PRIOR REFORM EFFORTS INTENDED TO PROTECT PUBLIC SCHOOLS

- Advisory Committee.

Last year, as a condition for receiving \$3.5 million in State lottery advance funds, which the Board rejected, the Legislature required the District to form an advisory committee (including parents and teachers) that would direct how the money would be spent.

- Redistricting.

Partition territory to create a new public school district that better represents public school enrollment.

- State Takeover.

Remove Board and have the State manage the District's affairs.

THE LAKEWOOD, NEW JERSEY MODEL

- The Lakewood School District in New Jersey is experiencing fiscal problems similar to East Ramapo.
- In Lakewood, there are reported to be 5,000 public school students and more than 25,000 other students, most of whom attend Orthodox Jewish private schools.
- In response to the problem in the Lakewood district, the New Jersey Department of Education exercised its statutory authority to appoint a state fiscal monitor, with power to override decisions of the local school board.

- The Lakewood Fiscal Monitor is empowered to:
 - Oversee (1) fiscal management and expenditures of funds;
 - (2) operation and fiscal management of facilities; and (3) staffing;
 - Override superintendent and board actions;
 - Ensure development and implementation of strategic plan;
 - Attend all meetings of the board, including closed sessions; and
 - Meet with board to discuss past actions leading to the Fiscal Monitor’s appointment and provide education and training.
- The Lakewood Fiscal Monitor must also act in a transparent way by reporting regularly to the public and New Jersey Department of Education.

EAST RAMAPO REQUIRES A GOVERNMENT CHECK AND BALANCE TO THE CURRENT BOARD AND SUPERINTENDENT

- Whatever governance reform the legislature and Governor ultimately adopt for the District, it must be one that protects the public schools from further abuses like we have seen in recent years.
- It is unthinkable that additional state funds should be granted to the District absent an enforceable mechanism which would ensure such funds are allocated fairly.
- At a minimum, there must be a vehicle to override, in real time, unreasonable decisions by the Board and Superintendent and ensure that the District conducts its affairs in a transparent fashion.

RECOMMENDATION 2: INCREASE STATE FUNDING TO DISTRICT ABOVE CURRENT LEVELS

- Absent State intervention, it will be impossible for the District to achieve fiscal stability now or in the foreseeable future.
- District has no reserves and limited capacity to raise revenues through taxation.
- Private school population grows at an astounding rate and will place even greater stress on future budgets.
- Looking forward, more money will be required to pay transportation and special education costs for private school students, leaving less money for public school students' education.
- Without additional funds, District will be unable to meet the challenge of providing a public school education.

Additional State Funds necessary to:

- Restore some of the \$30 to \$40 million in programmatic cuts that devastated public schools;
- Avert future budgetary calamities; and
- Put District on path to long-term fiscal stability.

RECOMMENDATION 3:
BOARD SHOULD UNDERGO
TRAINING TO ENSURE GREATER
TRANSPARENCY

- Board's systematic violation of the Opens Meetings Law is legally indefensible and counter-productive. It breeds suspicion and distrust.
- Board should immediately participate in and complete a training session concerning the Open Meetings Law conducted by the staff of the Committee on Open Government and provide proof of same to the Commissioner.
- Board should also continue to participate in annual update sessions and trainings conducted by the staff of the Committee.

RECOMMENDATION 4: BOARD SHOULD UNDERGO DIVERSITY TRAINING

- Based on the District's unique demographic composition and the crisis the District is currently experiencing, tensions run high between the public and nonpublic school communities.
- Board should immediately participate in and complete diversity training aimed at increasing cultural awareness, knowledge and communication skills.

Diversity training will:

Enhance understanding of needs of the entire community;

Protect against civil rights violations;

Increase inclusion of different groups; and

Promote better teamwork.

RECOMMENDATION 5:
DISTRICT SHOULD UNDERGO SED
MONITORING REVIEW TO ENSURE
APPROPRIATE SERVICES FOR ELLS
AND IMMIGRANT STUDENTS

Given the District's growing ELL population and recent influx of immigrant students who need ELL services, SED should conduct a comprehensive monitoring review of the District's policies and procedures, including those related to registration and enrollment, to ensure that all students receive appropriate educational programs and services.

RECOMMENDATION 6: COMMUNITY LEADERS SHOULD WORK TO BRIDGE THE DIVIDE BETWEEN THE PUBLIC AND PRIVATE SCHOOL COMMUNITIES

- The crisis in the District is not just about budgets and money; it is also about hearts and minds.
- Public schools students and parents despair over the damage done to this once great school district.
- Private school parents feel that their children receive precious little from the taxes they pay to fund the public schools.
- There is not only a fiscal deficit in East Ramapo, but also a deficit in mutual understanding – a capacity to place oneself in the shoes of the other person.

THE WAY FORWARD

- The path to a brighter tomorrow requires mutual understanding, tolerance and empathy.
- Private school community needs to understand the heart-break, pain and anger that exists in the public school community.
- Critics of the Board must not blame its mistakes on an entire community of people who want only what is best for their children.
- Community leaders must act to heal the wounds that now exist.
- Common ground exists between the public and private school communities.
- In order to meet the immense challenges that face the District, both communities must come together, work together, and speak with one voice.